

Co-operative and Community Benefit Society No. 25197R
Regulator of Social Housing No. C3675

CO-OP HOMES (SOUTH) LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2023

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CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2023

EXECUTIVES AND ADVISORS

Board

Katharine Hibbert
Derrick Turner
Gail Walters
Jane Gallifent
Naresh Aggarwal
Annemarie Fenlon
Jacqueline Lodge
Carmen White

Chair
Vice Chair and Treasurer

RHP Appointee

Managing Director:

John Baldwin - appointed 14th Mar-23
Neil Tryner – resigned 6th January 23

Registered Office

8 Waldegrave Road
Teddington
Middlesex
TW11 8GT

Auditors

BDO LLP
2 City Place
Beehive Ring Road
Gatwick, West Sussex
RH6 0PA

Bankers

The Co-operative Bank
PO Box 718
Ealing
W5 2XA

Lloyds Bank PLC
City Office, PO BOX 72
Bailey Drive
Gillingham Business Park
Kent, ME8 0LS

Co-operative and Community Benefit

Society registered number

25197R

Regulator of Social Housing Number

C3675

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2023

Report of the Board

The Board present the financial statements for the year ended 31 March 2023, together with their report on the performance for the year. This includes how the business has met the requirements of the Value for Money Standard (VfM) and supporting Code of Practice.

Principal activity

The core business activity of the company (Co-op Homes) is to provide a range of services which meet the needs of our customers, both individual and corporate, principally:

- The provision of good quality, well managed, affordable housing for people in housing need.
- The provision of management and support services to affiliated organisations.
- The provision of new homes. Our work to provide new homes continues, and our first scheme is expected to deliver 15 units from September 2023 onwards.

Review of results

The financial performance for the year is shown in the Statement of Comprehensive Income on page 16. During the year turnover increased by 7.3% (2022: 4.3%) to £3.5m (2022: £3.3m) which has resulted in a surplus for the year of £555k (2022: £927k). The operating margin was 18.7% (2022: 30.8%). The reduction in the margin when compared to the previous year is attributable mainly to social housing activities where the margin has reduced to 26.4% from 40.1% in 2022, due largely to planned maintenance works, which were delayed from the previous year.

Co-op Homes' social housing activities cover the management of permanent accommodation (295 units) and temporary accommodation (5 units). Our work to deliver permanent accommodation lettings has contributed an operating surplus of £655k (2022: £898k). The post pandemic operating environment has been challenging, and we have faced material shortages and cost pressures in this area of our work, but the team have managed these challenges well.

Temporary social housing management generated a loss of £48k (2022: £43k loss), mainly due to lost rent through voids, fixed rent charges and debt provisions on arrears. We have actively managed these properties, monitoring their condition and the related lease commitments to ensure that we hold adequate dilapidation provisions at the year end to cover the cost of any future hand-back works. The next property will be handed back in Oct-23, with the final one in Dec-28.

Co-op Homes provided management and other services to 31 (2022: 30) affiliated organisations during the year, generating revenue of £1,206k (2022: £1,026k). The turnover increase of 17.5% has been the result of inflation increase, securing one new management contract, in addition to providing extra services to our existing customers. This activity has generated a surplus of £89k in the year (2022: £152k).

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2023

Report of the Board (continued)

Review of performance

Co-op homes ended the year in a strong position as we recover from challenges with services to our client co-ops. Improvements were made to catch up with backlogs and we have formed stronger communication channels with many of our customers. We also mobilised a new contract with Alamo, to provide services in relation to finance and housing management.

Within our own stock we continue to provide good services with full safety compliance, 60% (and increasing) stock condition information, 81% (2022: 86%) customer satisfaction, 11-day void turn around and 5% (2022: 5%) arrears. Numbers of people reporting repairs online also continues to grow adding to our efficiency.

A recent staff satisfaction survey showed that 83% (2022: 94%) of staff were proud to work here. However, although this is above the score achieved by our peer, it remains below our target of >90%. 89% of staff were proud of the services we delivered to customers.

We continue to progress the pending handover of 15 new homes in Kingston and the development of 22 new homes in Hammersmith and Fulham.

Looking forwards

Our business plan was updated in March-2023, as part of our standard processes, though due to the changing external environment we are updating it every 6 months, to ensure they reflect the latest economic assumptions. Our updated plan incorporates the agreed intercompany loan provided by Richmond Housing Partnership, which will be used to support development activity. The updated business plan has been stringently tested against several possible adverse scenarios. This exercise has concluded that Co-op Homes has retained sufficient strength to continue with our strategic objectives without causing undue risk to our key stakeholders.

Co-op Homes has responded to the increased health and safety requirements for owned stock by significantly increasing the planned works program for the year from £300k to £641k. This will enable investment in energy performance across our stock, to increase energy efficiency. We aim to increase the proportion of our stock rated EPC C or above from 74% to over 90% during 2023-24, ensuring we are on track for all properties to hold at least EPC C certificates by 2030.

We are currently updating our strategic plan, with an approach that looks to develop our growth ambitions, our services and our culture. We will be exploring how our co-op ethos translates into our everyday activity, including the management of our own stock.

We have ambitions to expand our work by taking on new clients on the property management side of our business. We recognise that to do this we have to continue to add value to our client base, evolve based on their needs, and remain affordable. We also know we have a great deal of talent within our team and want to use this to its full capacity. As a result, we will be conducting user research as a basis for refining our offer to clients to make sure it aligns with their expectations of our service. This review, conducted from the outside in, will help us to develop relationships and deliver on our vision of thriving cooperative communities.

We will continue to invest in our homes, conducting a complete stock condition survey that will continue to inform our planned repairs programme. We will also be using this data to look at how we can further improve the energy efficiency of our homes.

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2023

Report of the Board (continued)

Strategic Objectives

The current strategic plan ran from 2017 – 2023 and this year we will be approving a new plan. The goals from the 2017-2023 plan have been reviewed by the Board and progress has been made in all areas. The strategic goals from this plan are as follows:

1. Modernise the current business to release capacity and improve core service efficiency.

We have invested resources into Governance and Finance to ensure that our client co-ops remain compliant and that FCA requirements are being met. This work has included establishing systems to work pro-actively across areas of Governance and Finance to join up the work and meet deadlines.

Use of our self-service repair portal for our tenants, and tenants of our managed clients, continues to grow with good feedback from customers and increased internal efficiency. This year, 47% of repairs were reported online, an increase of 17%.

2. Develop new homes for niche customer groups currently excluded from the housing offer.

During the year Co-op Homes have worked with the Richmond Housing Partnership (RHP) development team to deliver 15 additional units in New Malden and handover is expected later in 2023.

We have also started to move residents at Carnwath Road into temporary accommodation so that their site can be developed, and they will be able to move into their homes once they are built. Residents also have the option of remaining in their homes with access to respite accommodation should they need it. 16 properties will be replaced with 23 new homes of a higher standard.

3. Deliver management and support services to a wider range of organisations.

During the year we took on a new client Alamo with 82 units. We continue to have conversations with a range of organisations and we are reviewing the success of our first non-co-op leasehold block as part of our options appraisal due to be undertaken this year.

Delivering Value for Money (VfM) to Stakeholders

Our Value for Money (VfM) approach aims to optimise the benefits we deliver from our resources in an economic, cost effective and efficient manner.

The Board has a commitment to deliver VfM, which is demonstrated by the strategic aim to modernise business processes and improve service efficiency. Our achievement towards this strategic aim is measured by a set of performance indicators agreed by the Board that allows Co-op Homes to demonstrate delivery of VfM to our stakeholders and compare performance within the Group, and externally.

Each month Co-op Homes publishes and circulates data within the Group showing our achievements in key performance areas of 'Doing the Basics Brilliantly', 'Great Financial Management', 'Brilliant Customer Service' and 'Being an Excellent Employer' each of which has several metrics within them. An extract is shown below:

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2023

Report of the Board (continued)

Delivering Value for Money (VfM) to Stakeholders (continued)

CHS Scorecard	CHS	Board Target	Peer 1 21/22
Repairs completed within target time	91%	≥ 98%	100%
Arrears (as a % of rent income)	5%	< 5.0%	2%
Customer Satisfaction	81%	≥ 80%	71%
Employee Satisfaction	83%	≥ 90%	74%

The chart above illustrates some of the challenges that we have faced in the past year in relation to managing the repairs completion within the target. This and the other metrics above will be closely monitored over the forthcoming months to ensure that performance continues to improve in line with our customers' expectations and that our targets remain achievable.

Each year we conduct a review of whether the performance metrics continue to be relevant and target the areas which challenge us in the current operating environment. This operational detail is contained within the annual management plan and in the forthcoming year we will be reporting on our new measures for EPC ratings for stock, along with the other Health and Safety compliance reports to the Board.

VfM Metrics and Self-Assessment

The chart below shows the Value for Money (VfM) performance metrics for the last three years, along with Sector Scorecard and competitors' metrics from 21/22.

Performance Metrics	CHS 22/23	CHS 21/22	CHS 20/21	Peer 1 21/22	Sector Scorecard 21/22
Reinvestment	1.70%	1.10%	1.70%	0.8%	5.43%
New Supply Delivered	0.00%	0.00%	0.00%	0.00%	0.64%
Gearing	-1.10%	12.9%	-3.70%	13.50%	34.05%
Interest Cover (using EBITDA MRI)	440%	1232%	2532%	492%	118%
Headline social housing cost per unit	£5,917	£4,107	£4,530	£4,537	£7,102
Operating Margin (social housing only)	25.20%	40.10%	36.70%	11.72%	18.50%
Operating Margin Overall	15.90%	30.80%	28.49	7.85%	17.24%
Return on Capital Employed	2.50%	4.20%	4.20%	2.70%	2.30%

Peer 1 is a direct competitor, as it is one of the few organisations that provide management services in addition to owning its own stock. The sector scorecard data includes registered providers with less than 2,500 units in London and the Southeast.

CO-OP HOMES (SOUTH) LIMITED**Report and financial statements for the year ended 31 March 2023****Report of the Board (continued)****VfM Metrics and Self-Assessment (continued)**

We note our strong performance in the profit related metrics compared with our peers. Whilst cost per unit of £5,917 is lower than the sector scorecard figure of £7,102 it is higher than our peer's costs. This may be a contributing factor for us achieving customer satisfaction of 81% as compared to our peers of 71%, although our increased spend was caused mainly through increased planned maintenance and capital costs. To achieve our strategic objective to modernise the business and improve core efficiency, it is necessary to invest in our systems. Although this increases our per-unit costs in the short term, this investment is expected to increase our capacity to manage further units and protect our margins in the longer term. We are prioritising improving automation and achieving efficiencies within our existing processes in the first instance.

A review of the VfM performance data highlights the importance of Co-op Homes progressing with new development activity to ensure that new supply is matched to, or better than, the peer Scorecard metric of 0.8%. The Board has approved the purchase of 15 units that are currently being developed with the expected handover from September 2023. This represents progress in our strategic objective to deliver new homes.

Co-op Homes' gearing and interest cover ratios also indicate a greater capacity for debt and interest cost compared with other small housing associations. We have £11m inter-company revolving credit facility with £10m undrawn, which will fund our future development aspirations.

Measuring Value for Money

Co-op Homes operates in a competitive market in the provision of management services to housing co-ops and other organisations. To retain and attract new customers, Co-op Homes must offer an excellent service at competitive prices - this means that offering VfM is integral to our success.

The chart below shows our financial performance for the managed services part of our business compared with a competitor. Sector Scorecard data is not available for this business stream.

Managed Services	CHS 22/23	CHS 21/22	Peer 1 21/22
Turnover £000	1,206	1,026	1,353
Margin	7.4%	14.8%	-0.5%
Units in management	1,504	1,422	1,532

The figures above demonstrate our success in growing this part of the business whilst maintaining a positive margin. Our challenge continues to be finding economies of scale in the way we deliver our services to 30 separate entities, each with their own ways of working. In response to this challenge, we are continuing to promote our 'digital only' service to new and existing customers. The 'digital only' service helps to increase the efficiency of our internal processes, and therefore allows us to offer a more competitive fee. As a result of the pandemic, we have been offering further digital services to our existing customers which we expect to lead to further efficiencies.

Regarding our owned properties, Co-op Homes uses 'cost per unit' as an important indicator of our performance and how it compares with others.

CO-OP HOMES (SOUTH) LIMITED**Report and financial statements for the year ended 31 March 2023****Report of the Board (continued)****Measuring Value for Money (continued)**

Overall operating results – Owned stock			CHS 22/23	CHS 21/22	Peer 1 21/22	Sector scorecard
Management	cost per unit	£	1,377	1,204	999	1,561
Routine repairs	cost per unit	£	1,180	1,013	1,782	997
Major repairs	cost per unit	£	1,798	1,134	408	829

The figures above illustrate that our management cost per unit is around 45% higher than our peer's however our routine repairs cost is significantly lower. Most of our stock is less than 30 years old, and we have continued to invest in maintaining the properties to a good standard which may account for the reduced routine repairs cost. The major repairs cost in 22/23 include significant repairs being required to some of our properties which were damaged due to subsidence, and additional investment in health and safety costs relating to fire safety. We have also invested significantly in a bathroom and kitchens programme. Some of the major repair costs have been capitalised. The table above shows the unit cost net of capitalisation.

To ensure that we can continue to maintain our properties to a good standard and deliver the necessary energy efficiency improvements, our Board has concluded that it is necessary to increase our rents by social rent cap, announced by the government in September 2022, of 7% for the forthcoming year. We remain mindful of our customers' economic circumstances and will continue to offer support and signposting to help them to manage their finances and to ensure arrears are well managed. The board has dedicated a fund worth £10k to provide hardship supports to our residents.

Delivering VfM is embedded within Co-op Homes' culture and can be observed in the achievements outlined above relating to systems improvements, business growth and improved financial performance. However, the Board has a continued commitment to VfM and seeks to continually improve our cost per unit within our owned stock. We also seek to sustainably grow the management services we deliver by winning work we can deliver successfully while generating modest surpluses.

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2023

Report of the Board (continued)

Statement of responsibilities of the Board for the report and financial statements

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and registered social landlord legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Co-operative and Community Benefit Societies legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the organisation for that period. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and then apply these consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and, that the financial statements have been prepared in accordance with housing SORP : 2018 Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the organisation will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Co-op Homes and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014.

It is also responsible for safeguarding the assets of Co-op Homes and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Board is aware:

- there is no relevant audit information of which Co-op Homes' auditor is unaware; and
- the Board have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Board is responsible for the maintenance and integrity of the corporate and financial information on the organisation's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Internal controls assurance

The Board acknowledges its overall responsibility for monitoring the effectiveness of the internal control system for the organisation. It is supported by three committees, the Group Audit Committee and the Group Investment Committee with one member of the Board as a member of both committees. We are also supported by the Group Governance and Reward Committee.

The Group Audit Committee is responsible for overseeing internal and external audit, and for providing advice to the Co-op Homes Board on the effectiveness of the systems of internal controls, any major failures in the control assurance framework, and the arrangements for the management of risk.

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2023

Report of the Board (continued)

Internal controls assurance (continued)

The Group Investment Committee is responsible for the detailed scrutiny of Co-op Homes' financial planning and treasury management, reporting any areas of concern to both boards.

The purpose of the Group Governance and Reward Committee is to ensure best practice governance arrangements and to keep under review the reward and engagement strategies.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss. The process for identifying, evaluating and managing the significant risks faced by Co-op Homes is on-going and has been in place throughout the period commencing 1 April 2022 up to the date of approval of the report and financial statements. Key elements in the control framework include:

- Board approved terms of reference and delegated authorities.
- Clearly defined management responsibilities for the identification, evaluation, and control of significant risks.
- Robust strategic and business planning processes, with detailed financial budgets and forecasts.
- Formal recruitment, retention, training and development policies for all employees.
- Established authorisation and appraisal procedures for significant new initiatives and commitments.
- A robust approach to treasury management which is subject to external review each year.
- Regular reporting to both the Co-op Homes and RHP boards on key business objectives, targets and outcomes.
- Group-wide board approved whistle-blowing and anti-theft and corruption policies.
- Group-wide board approved fraud policies covering prevention, detection and reporting and recoverability of assets.
- Regular monitoring of loan covenants and requirements for new loan facilities.

The Co-op Homes Board has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

The Board confirms that Co-op Homes has on-going processes for identifying, evaluating and managing significant risks faced by the company. This process has been in place throughout the year under review and up to the date these accounts have been approved.

Co-op Homes has undertaken a review of its existing risks and identified 26 in total from a previous 6, which better reflects the full scope of risks, we face as an organisation. We have undertaken an initial scoring of these and are in the process of further defining the controls around them, in line with RHP's work and on implementing the Calqrisk tool to aid management and reporting of risks.

These new risks cover areas such as loss of business, failure of service models, failures in compliance, staff retention and training, health and safety risks, cyber security and data governance, with both strategic and operational level risks identified.

Code of Governance

During the year, the Board carried out a review of its governance arrangements and assessed its compliance with the National Housing Federation (NHF) Code of Governance (2020). The Board confirms compliance with the code.

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2023

Report of the Board (continued)

Statement of Compliance

In accordance with the requirements of the Accounting Direction 2019, the Board certifies that Co-op Homes has complied with the requirements of the Regulator of Social Housing Governance and Financial Viability Standard.

Report of the Board (continued)

The Board and executive officers

The Board and senior leadership team of Co-op Homes are as follows:

Board

Katharine Hibbert	Chair
Derrick Turner	Vice Chair and Treasurer
Toby D'Olier – term ended 14 th Sept-22	RHP appointee.
Nicholas Leggett – term ended 14 th Sept-22	
Helen Berg – term ended 14 th Sept-22	
Steve Tucker – retired 31 st Mar-22	
Gail Walters	
Jane Gallifent – Appointed 14 th Sep-22	RHP Appointee
Naresh Aggarwal - Appointed 14 th Sept-22	
Annemarie Fenlon - Appointed 14 th Sept-22	
Jacqueline Lodge - Appointed 14 th Sept-22	
Carmen White - Appointed 14 th Sept-22	

The board are insured under Co-op homes Directors' and officers' liability insurance policy. The aggregate liability is £500,000

Senior Leadership Team

John Baldwin - Managing director- appointed 14th Mar-23
Wayne Lee – Finance director – appointed 25th April-23

Going concern

After making enquiries, the Board has a reasonable expectation that the organisation has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed.

Co-op Homes has also secured a 5-year intercompany revolving credit facility from 1 April 2021 which will be used to fund development activity. The business plan indicates that refinancing is required at the end of the facility term however it is expected that Co-op Homes will be able to secure new funding using newly developed homes and existing stock to offer as security.

Co-op Homes has extensively stress tested its Business Plan, which is now updated every 6 months, for material shortages, increases in inflation and interest rates causing cost pressures on its operations and potential development activity. In all scenarios tested, after mitigating actions were considered, Co-op Homes continues to be financially viable for the 30-year scope of the plan. Therefore, the Board continues to adopt the going concern basis in the financial statements.

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2023

Report of the Board (continued)

External auditors

A resolution to reappoint BDO LLP as auditors of the Association will be proposed at the forthcoming Annual General Meeting.

By order of the Board.

DocuSigned by:

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Chair

Approved by the Board 28th September 2023

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CO-OP HOMES (SOUTH) LIMITED

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2023 and of the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2022.

We have audited the financial statements of Co-Op Homes (South) Limited ("the Association") for the year ended 31 March 2023 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the board members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the board with respect to going concern are described in the relevant sections of this report.

Other information

The board is responsible for the other information. The other information comprises the information included in the Report of the Board, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2023

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CO-OP HOMES (SOUTH) LIMITED
(CONTINUED)**

determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 to report to you if, in our opinion:

- the Association has not kept proper books of account;
- the Association has not maintained a satisfactory system of control over its transactions;
- the financial statements are not in agreement with the Association's books of account; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of the board

As explained more fully in the Statement of the Responsibilities of the Board, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on:

- Our understanding of the Association and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining and understanding of the Association's policies and procedures regarding compliance with laws and regulations; and

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2023

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CO-OP HOMES (SOUTH) LIMITED
(CONTINUED)**

the Co-operative & Community Benefit Societies Act 20214, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Based on our understanding of the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their registration with the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Accounting Direction for Private Registered Providers of Social Housing and tax legislation.

The Association is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the Regulator of Social Housing's Regulatory Standards, employment law, data protection and health and safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred; and

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance (also considered Audit Committee) regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Association's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override through inappropriate journal entries. Our procedures in respect of the above included testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation.

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2023

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CO-OP HOMES (SOUTH) LIMITED
(CONTINUED)**

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Philip Cliftlands (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

Gatwick

Date 29 September 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

CO-OP HOMES (SOUTH) LIMITED**Report and financial statements for the year ended 31 March 2023**

Statement of Comprehensive Income			
	Notes	2023	2022
		£000's	£000's
Turnover	3	3,503	3,266
Operating costs	3	(2,847)	(2,260)
Operating surplus	3 & 8	656	1,006
Interest receivable		6	-
Interest payable and similar charges	7	<u>(107)</u>	<u>(79)</u>
Surplus before tax		555	927
Taxation	8	-	-
Other comprehensive income			
Actuarial (loss)/gain on defined benefit pension scheme	14 (e)	(37)	53
Total comprehensive income for the year		518	980

The notes on pages 19 to 35 form part of these financial statements.

All amounts relate to continuing activities.

CO-OP HOMES (SOUTH) LIMITED**Report and financial statements for the year ended 31 March 2023**

Statement of Changes in Reserves			
	Note	2023	2022
		£000's	£000's
Income and expenditure account reserve at 1 April		10,433	9,453
Actuarial (loss)/gain on defined benefit pension scheme	14 (e)	(37)	53
Surplus on ordinary activities		555	<u>927</u>
Income and expenditure account reserve at 31 March		<u>10,951</u>	<u>10,433</u>

The notes on pages 19 to 35 form part of these financial statements.

CO-OP HOMES (SOUTH) LIMITED**Report and financial statements for the year ended 31 March 2023**

Statement of Financial Position					
	Notes	2023		2022	
		£000's	£000's	£000's	£000's
Tangible fixed assets					
Housing properties	10	21,737		20,630	
Other tangible fixed assets	11	<u>11</u>		<u>14</u>	
			21,748		20,644
Current assets					
Debtors	12	452		265	
Cash at bank and in hand		<u>1,431</u>		<u>2,071</u>	
		1,883		2,336	
Creditors					
Other amounts falling due less than one year	13	(1,347)		(995)	
Net current assets					
			536		1,341
Creditors: amounts falling due more than one year	14		(10,810)		(10,986)
Net pension liability	15		(429)		(472)
Provisions for liabilities and charges	16		(94)		(94)
Total net assets					
			<u>10,951</u>		<u>10,433</u>
Capital and reserves					
Share capital	19	-		-	
Income and expenditure reserve		<u>10,951</u>		<u>10,433</u>	
			<u>10,951</u>		<u>10,433</u>

The notes on pages 19 to 35 form part of these financial statements.

These financial statements were authorised and approved by the Board and signed on its behalf by:

DocuSigned by:

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Katharine Hibbert
Chair

DocuSigned by:

 0B938272739A45E...

Naresh Aggarwal
Board member

DocuSigned by:

 9171EC613FEC407...

John Baldwin
Managing Director

Date of approval: 28th September 2023

CO-OP HOMES (SOUTH) LIMITED**Report and financial statements for the year ended 31 March 2023****Notes to the financial statements****1. Legal status**

Co-op Homes is registered in England and Wales under the Co-operative and Community Benefit Societies Act 2014 and is a registered housing provider. It is a public benefit entity.

2. Accounting policies**Basis of accounting**

The financial statements have been prepared under the historic cost basis in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and the statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

Disclosure Exemptions

Advantage of the following exemptions available through FRS102 has been taken:

- No Statement of Cash Flows has been prepared as the parent, RHP, prepares publicly available consolidated financial statements.

Going Concern

Co-op Homes prepares a long-term business plan which is tested against various adverse scenarios. This is now prepared every 6 months, due to the current economic uncertainty. The results of this testing indicate that Co-op Homes has sufficient resources to continue with day-to-day activities as well as the re-investment programme and planned development activity and is unconstrained by the lenders' covenants.

Co-op Homes has secured a 5-year intercompany revolving credit facility from 1 April 2021 which will be used to fund development activity. The business plan indicates that refinancing is required at the end of the facility term however it is expected that Co-op Homes will be able to secure new funding using newly developed homes and existing stock to offer as security.

On this basis, the board has a reasonable expectation that Co-op Homes has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, we continue to adopt the going concern basis in the financial statements.

Significant judgements and estimates

The following are the significant management judgements or estimates made in applying the organisation's accounting policies that have the most significant effect on the financial statements.

Useful lives of depreciable assets

Co-op Homes reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to changes to decent homes standards and regulatory requirements which may require more frequent replacement of key components. As at 31st March 2023, the carrying amount of the housing properties was £21,737k (2022: £20,630k) and the accumulated depreciation was £4,988k (2022: £4,666k).

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2023

Notes to the financial statements (continued)

2. Accounting policies (continued)

Significant judgements and estimates (continued)

Impairment review

There have been no events to trigger an impairment review that have been identified for the year ended 31 March 2023.

Defined benefit obligation

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rate of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as shown in note 14). The net defined benefit pension liability at 31 March 2023 was £429k. (2022: £472k)

Loans with National Westminster Bank plc

Co-op Homes has 2 loans with National Westminster Bank plc (previously Orchardbrook) totalling £141k (2022: £204k). Co-op Homes has still been unable to obtain full details of the loan agreements to definitively determine how to account for the loans under FRS102. Based on the loan characteristics Co-op Homes considers the loans can be basic under FRS102 and has accounted for them on this basis in the financial statements.

Turnover

Turnover comprises rental income receivable in the year and fees for management services provided to other housing co-ops and customers. Fee income is recognised as the underlying work is undertaken in accordance with contractual arrangements. Rental income is recognised from the point when properties under development reach practical completion and are formally let. The rental income receivable is recognised in the period to which it relates.

Value added tax (VAT)

Co-op Homes charges VAT on the fees charged to housing co-ops and other customers and can recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the organisation and not recoverable from HM Revenue and Customs. As Co-op Homes is part of a VAT Group with its parent, RHP, the balance of VAT payable or recoverable at the year-end is included within amounts due to parent company (Note 12).

Debtors

Short term debtors are measured at transaction price less any impairment.

Creditors

Short term trade creditors are measured at transaction price.

Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

CO-OP HOMES (SOUTH) LIMITED**Report and financial statements for the year ended 31 March 2023****Notes to the financial statements (continued)****2. Accounting policies (continued)****Pensions**

Co-op Homes participates in the multi-employer defined benefit Social Housing Pension Scheme (SHPS). However, this scheme is closed for any new employees. For financial years ending on or after 31 March 2019 sufficient information is available to account for the obligations under the scheme on a defined benefit basis. Under defined benefit accounting the Scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The net surplus or deficit is presented separately from other net assets on the Statement of Financial Position. The current service cost and costs from settlements and curtailments are charged to operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Government grants

Government grants include grants receivable from the Regulator, its predecessors, local authorities and other government organisations. Government grants received for housing properties are recognised as income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accrual model.

Social Housing Grants (SHG) due from the regulator or received in advance are included as a current asset or liability. SHG received in respect of revenue expenditure would be credited to the income and expenditure account in the same period as the expenditure to which it relates, however there was none in the year.

SHG is subordinated to the repayment of loans by agreement with the regulator. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

CO-OP HOMES (SOUTH) LIMITED**Report and financial statements for the year ended 31 March 2023****Notes to the financial statements (continued)****2. Accounting policies (continued)****Depreciation of housing properties**

Co-op Homes separately identifies the major components which comprise its housing properties and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight-line basis, over its estimated useful economic life.

The Group's housing properties held on leases are amortised over the life of the lease or their estimated useful lives in the business if shorter. Housing properties are split between the structure and the major components which require periodic replacement.

Co-op Homes depreciates the major components of its housing properties over the following useful lives:

Structure	100 years
Walls	50 years
Roofs	50 years
Kitchens	20 years
Bathrooms	30 years
Windows	30 years
Doors	30 years
Boilers	20 years

Land is not depreciated on account of its indefinite useful life.

Impairment

Housing Properties are assessed annually for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the carrying value is written down to the recoverable amount. The resultant impairment loss is recognised as operating expenditure. Where the scheme is currently deemed not to be providing service potential to Co-op Homes, its recoverable amount is its fair value less costs to sell.

Co-op Homes defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure.

Temporary social housing improvements

Co-op Homes renovates leased properties using temporary social housing grant, which comprises works and lease elements. On receipt, the grant is deferred and then taken to development income over the course of the renovation works.

For schemes in progress, the excess of grant received over works cost plus attributable direct cost and the surplus recognised, is shown as a current liability. If scheme costs exceed grant received the excess is shown as development in progress within current assets. Surplus is only recognised where the outcome of the scheme is reasonably certain.

On completion of the renovation works the excess of grant received over costs is deferred and amortised to the income and expenditure account over the period of the lease.

CO-OP HOMES (SOUTH) LIMITED**Report and financial statements for the year ended 31 March 2023****Notes to the financial statements (continued)****2. Accounting policies (continued)**

For schemes where costs exceed grant received the investment is capitalised as temporary social housing improvements provided that there is expected to be sufficient rental income over the period of the lease to meet the cost of depreciation. If there is expected to be any shortfall in rental income the excess costs are written off immediately.

Other tangible fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. Estimated useful lives are as follows:

Temporary social housing improvements -	period of lease
Office furniture and equipment -	4 years

Capitalisation of finance costs

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- interest on borrowings specifically financing the development programme after deduction of interest on SHG in advance; or
- interest on borrowings of the association after deduction of interest on SHG in advance to the extent that it can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year incurred.

Operating leases

Rental costs under operating leases are charged to the income and expenditure account in equal annual amounts over the period of the lease.

Dilapidation costs

Co-op Homes' leases for temporary social housing properties contain repair covenants relating to the upkeep of the properties. These lease covenants can give rise to dilapidation works or claims during or at the end of the related lease. Co-op Homes accounts for these costs in accordance with FRS 102 (provision and contingencies) which requires a provision to be recognised when there is an obligation at the reporting date regarding wants of repair at the related property. Co-op Homes makes provision for the expected cost of dilapidation work required. The provision is shown as a provision for liabilities in the financial statements.

Taxation

The tax expense for the period would comprise current tax, if applicable. The current income tax charge would be calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generate taxable income. Due to the charitable status of the company no tax charge is applicable, though a calculation has been prepared on note 8.

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2023

Notes to the financial statements (continued)

Financial assets and liabilities

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial Instruments are initially recorded at transaction price less issue costs. Subsequent measurement depends on the designation of the instrument as follows: Bonds, loans, short term borrowings and overdrafts are held at amortised cost where they meet the relevant criteria of section 11 of FRS102.

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at the undiscounted value of amounts expected to be received. Any losses arising from impairment are recognised in the income statement in other operating expenses.

3. Turnover, operating costs and operating surplus before tax and interest

	2023			2022		
	Turnover	Operating (costs)	Operating surplus	Turnover	Operating (costs)	Operating surplus
	£000's	£000's	£000's	£000's	£000's	£000's
Social Housing Lettings (note 4)	2,297	(1,690)	607	2,240	(1,342)	898
Other social housing activities						
	-	(40)	(40)	-	(44)	(44)
New business development						
Management fees	1,206	(1,117)	89	1,026	(874)	152
	<u>3,503</u>	<u>(2,847)</u>	<u>656</u>	<u>3,266</u>	<u>(2,260)</u>	<u>1,006</u>

4. Income and expenditure from social housing lettings

	Perman ent accomm odation	Temporary social housing	Total	Total
			2023	2022
	£000's	£000's	£ 000's	£ 000's
Rent receivable	1,999	28	2,027	1,970
Service charges receivable	136	-	136	136
Amortisation of Capital Grant (Note 17)	134	-	134	134
Turnover from social housing lettings	<u>2,269</u>	<u>28</u>	<u>2,297</u>	<u>2,240</u>

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2023

Notes to the financial statements (continued)

4. Income and expenditure from social housing lettings (continued)

Expenditure on lettings

Rents payable	-	15	15	18
Services	100	3	103	94
Management	413	41	454	400
Routine maintenance	354	7	361	313
Planned maintenance	257	-	257	101
Loss on disposal of property components	66	-	66	-
Depreciation of housing properties	390	-	390	392
Rent losses from bad debts	17	10	27	7
Other	17	-	17	17
Operating costs on social housing lettings	1,614	76	1,690	1,342
Operating surplus / (deficit) on lettings	655	(48)	607	898

Void losses	20	6	26	12
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5. Directors' emoluments

The company defines the key management personnel to include the Board members, the Managing Director, and the senior management team.

	2023	2022
	£000's	£000's
Aggregate emoluments of the senior management team (including pension contributions)	384	322
Emoluments of the highest paid director (benefits in kind)	80	94
Pension contributions of the highest paid director (chief executive)	11	14
Aggregate emoluments of the Board members	20	10

6. Employees

	2023	2022
	Number	Number
Average monthly number of employees expressed as full time equivalent (calculated based on standard working week of 36 hours) during the year was:		

Office staff	23	24
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	2023	2022
	£000's	£000's
Employee costs (for the above persons):		
Wages and salaries	994	865
Social security costs	108	89
Pension costs & expenses – defined benefit (note 14. d)	4	4
	<u>91</u>	<u>65</u>

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2023

Notes to the financial statements (continued)

6. Employees (continued)

Pension costs – other pension costs

1,197 1,023

The number of full-time employees who received remuneration (including employer pension contribution) greater than £60,000 (including senior management team):

2023 **2022**

£60,001 to £70,000

- 1

£70,001 to £80,000

1 -

£80,001 to £90,000

- -

£90,001 to £100,000

1 1

7. Interest payable and similar charges

2023 **2022**

£000's **£000's**

On loans repayable in one to five years

83 59

On loans repayable in more than five years

12 8

Unwinding of discount rate assoc. with pension liability (note 14.d)

12 12

107 79

No interest has been capitalised in the year (2022 £Nil). Included in the above is £83k (2022: £54k) of parent company (Richmond Housing Partnership) loan interest and commitment fees.

8. Taxation

2023 **2022**
£000's **£000's**

Surplus on ordinary activities before tax

555 927

Corporation tax at rate of 19% (2022: 19%)

105 176

Exemption from corporation tax

(105) (176)

Current tax charge for the year

- -

9. Operating surplus

2023 **2022**
£000's **£000's**

Is stated after charging:

Depreciation - other fixed assets

7 17

Depreciation - social housing properties

390 392

Loss on disposal of components

67 -

Auditor's remuneration (in their capacity as auditors)

20 16

Amounts payable under operating leases

15 18

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2023

Notes to the financial statements (continued)

10. Tangible Fixed Assets – Social Housing Properties

	Under Construction	Social housing properties for letting	Total
	£000's	£000's	£000's
Cost			£
At 1 April 2022	685	24,612	25,297
Additions	1,115	448	1,563
Disposals of components	-	(135)	(135)
At 31 March 2023	<u>1,800</u>	<u>24,925</u>	<u>26,725</u>
Depreciation			
At 1 April 2022	-	(4,666)	(4,666)
Charge for the year	-	(390)	(390)
Disposal of components	-	68	68
At 31 March 2023	<u>-</u>	<u>(4,988)</u>	<u>(4,988)</u>
Net book value			
At 31 March 2023	<u>1,800</u>	<u>19,937</u>	<u>21,737</u>
At 31 March 2022	<u>685</u>	<u>19,945</u>	<u>20,630</u>

The above cost relates to Co-op Homes' 295 owned units (2022- 295). The managed units' details are shown in note 21.

	2023	2022
	£000's	£000's
Expenditure on works to existing properties		
Components capitalised	53	209
Amounts charged to the Income and Expenditure account	<u>395</u>	<u>73</u>

Housing properties book value net of depreciation

	2023	2022
	£000's	£000's
Freehold land and buildings	19,496	18,390
Long leasehold land and buildings	<u>2,241</u>	<u>2,240</u>
	<u>21,737</u>	<u>20,630</u>

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2023

Notes to the financial statements (continued)

11. Other tangible fixed assets

	Temporary social housing improvements £000's	Office furniture & equipment £000's	Total £000's
Cost			
At 1 April 2022	100	183	283
Additions	-	<u>4</u>	<u>4</u>
At 31 March 2023	<u>100</u>	<u>187</u>	<u>287</u>
Depreciation			
At 1 April 2022	95	174	269
Charge for the year	-	<u>7</u>	<u>7</u>
At 31 March 2023	<u>95</u>	<u>181</u>	<u>276</u>
Net book value			
On 31 March 2023	<u>5</u>	<u>6</u>	<u>11</u>
At 31 March 2022	<u>5</u>	<u>9</u>	<u>14</u>

12. Debtors

	2023 £000's	2022 £000's
Amounts receivable within one year:		
Rental and service charges receivable	249	239
Less: provision for bad and doubtful debts	<u>(184)</u>	<u>(157)</u>
	65	82
Other debtors	274	174
Prepayments	<u>113</u>	<u>9</u>
	<u>452</u>	<u>265</u>

13. Creditors: amounts falling due within one year

	2023 £000's	2022 £000's
Loans	35	56
Trade creditors	161	15
Amount due to parent company	39	52
Prepaid rent	160	156
Other creditors	551	273
Accruals and deferred income	267	309
Housing grant to be released within 1 year	<u>134</u>	<u>134</u>
	<u>1,347</u>	<u>995</u>

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2023

Notes to the financial statements (continued)

	2023	2022
	£000's	£000's
14. Creditors: amounts falling due after one year		
Deferred temporary social housing grant	3	3
Recycled capital grant fund (Note 16)	70	70
Loans	1,106	1,148
Social Housing Grant (Note 17)	<u>9,631</u>	<u>9,765</u>
	<u>10,810</u>	<u>10,986</u>
Loan Analysis		
Due within one year (Note 12)	35	56
Due more than one year but less than two years	31	35
Due between two and five years	1,002	1,033
Due more than five years or more	<u>73</u>	<u>80</u>
	<u>1,141</u>	<u>1,204</u>
Housing loans by lenders:		
National Westminster Bank plc	141	204
Richmond Housing Partnership (inter group loan)	<u>1,000</u>	<u>1,000</u>
	<u>1,141</u>	<u>1,204</u>

Co-op Homes has arranged a £11m intercompany revolving facility with its parent, RHP, available from 1 April 2021. This revolving credit facility will be used to support development activity and is secured by a floating charge over the company's existing and future housing properties. When funds are drawn, they will attract a margin of 1.23% and undrawn funds will incur a commitment fee of 0.492%.

The NatWest Loan is secured by a fixed charge on selected properties, owned by the company. Interest is charged at rates ranging from 1.12% to 10.38%.

Deferred low start loan interest of £19,363 (2022: £79,118) has been included in the loan principal shown above.

15. Pension

a. Present values of defined benefit obligation, fair value of assets and defined benefit liability

	2023	2022
	£000's	£000's
Fair value of plan assets	1,898	2,798
Present value of defined benefit obligation	<u>2,327</u>	<u>3,270</u>
Net defined benefit liability to be recognised	<u>(429)</u>	<u>(472)</u>

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2023

Notes to the financial statements (continued)

15. Pension (continued)

b. Reconciliation of opening and closing balances of the defined benefit obligation

	2023	2022
	£000's	£000's
Defined benefit obligation at start of period	3,270	3,503
Expenses	4	4
Interest expense	90	74
Actuarial Losses/(gains) due to scheme experience	(107)	82
Actuarial (gains) due to changes in demographic assumptions	(7)	(58)
Actuarial (gains) due to changes in financial assumptions	(821)	(224)
Benefits paid and expenses	<u>(102)</u>	<u>(111)</u>
Defined benefit obligation at end of period	<u>2,327</u>	<u>3,270</u>

c. Reconciliation of opening and closing balances of the fair value of plan assets

	2023	2022
	£000's	£000's
Fair value of plan assets at start of period	2,798	2,893
Interest income	78	62
(Loss) on plan assets (excluding amounts included in interest income)	(972)	(147)
Contributions by the employer	96	101
Benefits paid and expenses	<u>(102)</u>	<u>(111)</u>
Fair value of plan assets at end of period	<u>1,898</u>	<u>2,798</u>

The actual return on the plan assets (including any changes in share of assets) over the year ended 31 March 2023 was £271,000 (2022, £303,000).

d. Defined benefit costs recognised in statement of comprehensive income

	2023	2022
	£000's	£000's
Expenses	4	4
Net interest expense	<u>12</u>	<u>12</u>
Defined benefit costs recognised in statement of comprehensive income	<u>16</u>	<u>16</u>

e. Defined benefit costs recognised in other comprehensive income

	2023	2022
	£000's	'000's
(Loss) on plan assets (excluding amounts included in net interest cost)	(972)	(147)
(Loss)/gain arising on the plan liabilities	107	(82)
Gain due to changes in the demographic assumptions	7	58
Gain due to changes in the financial assumptions	<u>821</u>	<u>224</u>
Total amount recognised in other comprehensive income (loss)/gain	<u>(37)</u>	<u>53</u>

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Notes to the financial statements (continued)

15. Pension (continued)

f. Assets

	2023	2022
	£000's	£000's
Global Equity	35	537
Absolute Return	21	112
Distressed Opportunities	57	100
Credit Relative Value	72	93
Alternative Risk Premia	4	92
Emerging Markets Debt	10	81
Risk Sharing	140	92
Insurance-Linked Securities	48	65
Property	82	76
Infrastructure	217	199
Private Debt	84	72
Opportunistic illiquid credit	81	94
High Yield	7	24
Opportunistic Credit	-	10
Cash	14	10
Corporate Bond Fund	-	187
Long Lease Property	57	72
Secured Income	87	104
Liability Driven Investment	873	781
Currency Hedging	4	(11)
Net Current Assets	<u>5</u>	<u>8</u>
Total assets	<u>1,898</u>	<u>2,798</u>

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

g. Key assumptions

	2023	2022
	% per annum	% per annum
Discount Rate	4.89%	2.79%
Inflation (RPI)	3.20%	3.66%
Inflation (CPI)	2.72%	3.23%
Salary Growth	3.72%	4.23%

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Notes to the financial statements (continued)

16. Provision for liabilities

	2023	2022
	£000's	£000's
At 1 April and 31 March	<u>94</u>	<u>94</u>

This provision is the estimated amount of fulfilling the obligations of the short life property leases.

17. Recycled capital grant fund

	2023	2022
	£000's	£000's
At 1 April and 31 March	<u>70</u>	<u>70</u>

18. Social Housing Grant

	2023	2022
	£000's	£000's
At 1 April	9,899	10,033
Released to income for the year	<u>(134)</u>	<u>(134)</u>
At 31 March	<u>9,765</u>	<u>9,899</u>

Amount to be released within one year (Note 12)	(134)	(134)
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Amounts to be released within more than one year (Note 13)	<u>(9,631)</u>	<u>(9,765)</u>
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Notes to the financial statements (continued)

19. Non equity share capital

	2023	2022
	£	£
Shares at £5 each issued and fully paid:		
At 1 April	235	215
Issued during the year	20	30
Cancelled during the year	<u>(5)</u>	<u>(10)</u>
At 31 March	<u>250</u>	<u>235</u>

Shareholders have a right to vote at general meetings; there are no other rights attached to the shares.

20. Non equity share capital (continued)

When a shareholder ceases to be a member, that person's share is cancelled, and the amount paid up thereon becomes the property of the company. All shareholdings relate to non-equity interests.

21.. Related party transactions

Co-op Homes provides management services to several primary housing co-operatives. These housing organisations are members of Co-op Homes and up to four Board places are available for their tenants as well as up to four Co-op Homes tenant members. In relation to these housing co-ops the company

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Notes to the financial statements (continued)

21. Related party transactions (continued)

received £1,206k (2022: £1,026k) for management services during the year. At 31 March 2023 there were no Co-op Homes tenant members on the Board.

As detailed in Note 13, Co-op Homes had arranged a £11m revolving loan facility with the parent, RHP, and had drawn £1m during the year, which attracted £83k (2022: £54k) interest and loan commitment fee cost during the year.

In addition, Co-op Homes shares office premises, ICT services, HR services and other costs with its parent. Charges for these services during the year amounted to £109k (2022: £111k).

Co-op Homes also appointed the chair of Chisel Neighbourhood Housing Association, Carmen White, to the board on 14 September 2022. Chisel is a client of Co-op homes and fees charged to them for services in the financial year ended 31st March 2023, totalled £74,952. (2022: £33,205).

22. Financial assets and liabilities

Intercompany loan

The current loan drawdown from RHP is £1m, though Co-op Homes have an £11m revolving facility at a margin of 1.23%. This facility includes a covenant that Co-op Homes will, on demand, pay and discharge the secured liabilities as and when they fall due. The current loan balance is due for repayment in 2026.

23. Contingent liabilities

The company participates in the Social Housing Pension Scheme (SHPS), a multiemployer scheme which provides benefits to some 500 non-associated employers. SHPS is administered by The Pensions Trust (TPT) who have undertaken an historical review of the application of benefits and have concerns about the application of changes in inflation on payments and revaluation and have applied to the courts for a review of their historical approach. At this stage we do not have certainty on the potential outcome of this court case, however early indications suggest a potential additional liability for Co-op homes of £152k

24. Commitments under operating leases

As at 31 March 2023 the company had minimum future payments under operating leases in respect of housing land and buildings as follows:

	2023	2022
	£000's	£000's
Within one year	11	15
Between one and five years	126	22
After five years	<u>2</u>	<u>4</u>
	<u>25</u>	<u>41</u>

These commitments relate to 5 (2022: 5) accommodation units. There is a rolling agreement for the rental of office accommodation at a cost of £36k pa. to be reviewed periodically.

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Notes to the financial statements (continued)

26. Commitments relating to assets under construction

Commitments contracted but not yet provided for:

	2023	2022
	£000's	£000's
Construction or purchase of housing properties	876	1,500

27. Units in management

	2023	2022
	No.	No.
Permanent accommodation	295	295
Short-life accommodation	5	5
Managed accommodation for affiliated Co-ops:	<u>1,504</u>	<u>1,422</u>
	<u>1,804</u>	<u>1,722</u>

These units in management are all general needs housing with rent at a social rent.

28. Parent company

The consolidated accounts of the parent company, RHP Group, are publicly available and can be obtained from 8 Waldegrave Road, Teddington, TW11 8GT.